

Message Text

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ACTION NEA-10

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TAGS: ECON, EG

SUBJECT: FOCUS ON COMMODITY PRICES AND SUPPLY

REF: A) CAIRO 13173 (12/31/75) B) CAIRO 13171 (12/31/75) C)

CAIRO 1071

1. FOLLOWING END OF YEAR PEOPLE'S ASSEMBLY APPROVAL OF GOVERNMENT DRAFT BUDGET (REF A) AND DESPITE PA RECOMMENDATION SUBSIDIES BE REDUCED FOR SOME GOODS. MINISTER OF SUPPLY SHAZLI HAS BEEN UNUSUALLY ACTIVE IN MAKING PUBLIC STATEMENTS ABOUT IMPROVING SUPPLY SITUATION AND REVISING UPWARD MINISTRY'S BUDGET TO PROVIDE GREATER SUBSIDIES. SHAZLI'S ACTIVITIES EVENTUALLY HAVE CAUGHT SOME CABINET MEMBERS UNINFORMED. MINISTRY OF FINANCE ABU ISMAIL, FOR INSTANCE, WAS STEADFASTLY DENYING AN INCREASE IN SUBSIDY BILL ON THE EVE OF SHAZLI'S ANNOUNCEMENT IT WOULD RISE LE 80 MILLION TO LE 700 MILLION. THIS DEVELOPMENT MAY SUGGEST THAT GOE WAS CONSIDERING HOLDING THE LINE ON SUBSIDIES, BUT DECIDED THE TIME WAS NOT YET RIPE.

2. FOLLOWING ARE SPECIFIC EXAMPLES OF SHAZLI PRONOUNCEMENTS WHICH SEEM GEARED TO SPECIFIC SUPPLY COMPLAINTS:

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A. STATEMENT JANUARY 21 THAT PRICES OF ALL FOOD COMMODITIES WOULD NOT RISE IN 1976, (PRESUMABLY HE MEANS PRICES FOR THOSE GOODS DISTRIBUTED BY THE MINISTRY OF SUPPLY.) FOR THIS PURPOSE MINISTRY BUDGET WOULD BE INCREASED BY LE 80 MILLION FOR RISE IN SUBSIDIES;

B. EXISTING BAKERIES WOULD BE IMPROVED TO IMPLEMENT MINISTRY'S PLAN TO UPGRADE THE LOAF OF BREAD AND INCREASE ITS OUTPUT (THE QUALITY OF BREAD HAS BEEN A CONSTANT COMPLAINT);

C. MACARONI FACTORIES WILL BE ESTABLISHED, FIRST AT EXISTING MILLS TO ASSURE IMMEDIATE SUPPLY STABILITY AND THEN NEW FACTORIES WILL BE BUILT (MACARONI IS BLUE COLLAR MIDDLE CLASS STAPLE IN MUCH THE SAME WAY THAT BREAD IS LOWER CLASS STAPLE);

D. MEAT AND MILK IMPORTS WILL GO UP TO INSURE THAT MEAT AND CHEESE SUPPLY MEET DEMAND.

3. COMMENT: BASIC COMMODITIES SUPPLY SITUATION HAS LONG BEEN REAL PROBLEM AREA FOR GOE. RECENT MOVES, HOWEVER, INCLUDING SWEEPING PROMISE TO HOLD PRICES STABLE IN 1976, MAY INDICATE THE GOE VIEWS SITUATION WITH MORE THAN USUAL CONCERN. (CAIRO'S 1071 DISCUSSES GENERAL ECONOMIC CONCERNS AND POSSIBLE POLITICAL CONSEQUENCES ARISING THEMFROM.) SHAZLI'S OVERALL PITCH HAS BEEN THAT PRICES CANNOT BE CONTROLLED UNLESS THERE IS ADEQUATE SUPPLY. HIS EFFORTS SEEMINGLY ARE DEVOTED TO ASSURING THAT A MORE THAN SUFFICIENT VOLUME OF COMMODITIES TO MEET REAL CONSUMPTION REQUIREMENTS AT CURRENT ARTIFICIALLY LOW PRICE LEVEL

4. NOTE: OUR PRELIMINARY READING OF MAJOR ECONOMIC POLICY STATEMENT BY PM JANUARY 28 (FULL REPORT FOLLOWS SEPTTEL) INDICATES HE DID NOT ADDRESS IN DETAIL SUBSIDY OR SUPPLY QUESTIONS RAISED BY SHAZLI'S INITIATIVES. END NOTE. EILTS

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